Monthly Review

Federal Reserve Bank of Atlanta

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District Summary of Business Conditions

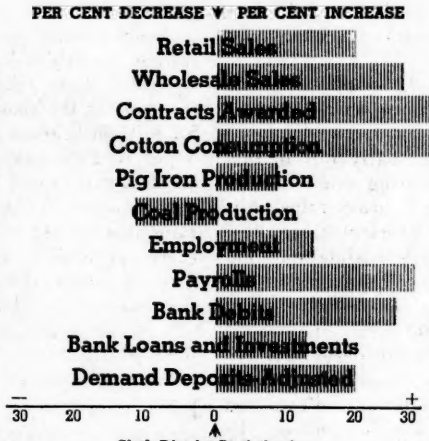
Trade and industrial activity in the Sixth District continued at a high level in May. Distribution of merchandise through retail outlets reached a new high level for the month of May, although after allowance for seasonal influences May sales declined 2 per cent from April. Wholesale distribution increased by 5 per cent in May, when there is usually a small decrease, life insurance sales were larger, and commercial failures declined. Textile activity in May was at a record level, pig iron production recovered a large part of the April decline, and coal output increased substantially in the latter half of May following settlement of labor difficulties.

A new high level for the month was reached by Sixth District department store sales in May. Although the May rate of sales failed by a fraction of 1 per cent to equal that of April, it was a fifth higher than in May 1940 and higher than in May of any previous year. The adjusted index, which makes allowance for seasonal influences, declined 2 per cent from April to May. In the five months of 1941, January through May, sales have been 15 per cent greater than in that period a year ago. For the country as a whole, the Board's adjusted index rose 1 per cent in May and was 19 per cent above that for May last year. Business failures declined in May, after rising rather sharply in April, and in the January-May period this year have been 22 per cent less than in that part of 1940, as compared with a decline of 10 per cent for the country as a whole.

▶ There was a further gain in the value of construction

(*Continued on Page* 33)

Reconnaissance



Sixth District Statistics for May 1941 compared with May 1940

The defense program was begun in May 1940. The sharp rise of most business indicators for May 1941 over May 1940 reflects in a general way the impact of the defense program upon the economy of the District.

The Power Shortage in the Southeastern States

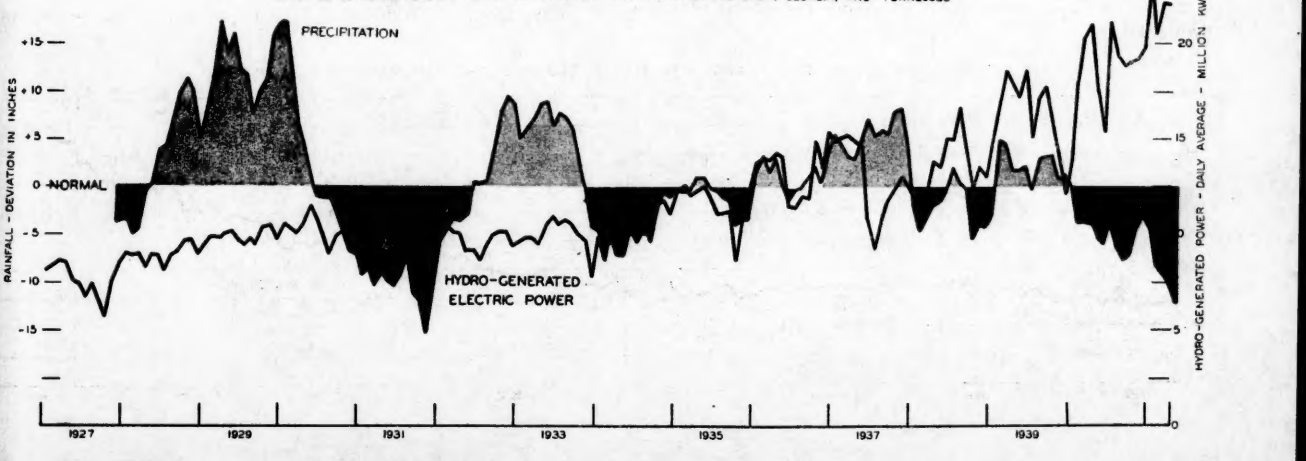
The present power shortage in the Southeastern states is the consequence of two simultaneous developments. For many consecutive months rainfall has been below normal in Alabama, Georgia, and Tennessee—the three states of the Sixth District that produce large amounts of power in hydro-electric plants—and, coincident with declining water resources, the demands of the rearmament program have called upon the District's power plants to supply a continuously larger output.

The area is particularly vulnerable to this combination of circumstances, for it is heavily dependent upon hydro-generated, rather than fuel-generated, power, and the lack of adequate transmission facilities to states bordering the region, together with the drought's effect upon those states, provide little possibility of relief from outside sources. Until recently, a high volume of hydro-electric power production has been maintained by permitting the water levels of the District's reservoirs to decline. This unavoidable manner of solution has, with the continued absence of rain, aggravated the problem for the coming months, and, in consequence, the drought states are now confronted with both the necessity and the fact of compulsory power rationing.

▶ Chart 1, below, reflects both the severity of the drought and the enormous increase in the production of hydro-electric power occasioned by the defense program. The drought factor is shown in the green curve of the chart, which represents for any month the precipitation in Alabama, Georgia, and Tennessee in terms of the net deviation from normal, positive

RAINFALL AND HYDRO-GENERATED POWER PRODUCTION

RAINFALL CURVE REPRESENTS 12 MONTH DEVIATION FROM NORMAL - ALABAMA, GEORGIA, AND TENNESSEE



or negative, during the 12 months ending in that particular month. For illustration, consider the point for April 1941. During the 12 months ending last April the total rainfall in the three states was 41 inches. In a normal period, however, those months would have brought a total rainfall of 51 inches. The chart shows, therefore, that the 12 months ending last April had a net deficiency of 10 inches. By May, the last month shown on the chart, the 12 month deficiency had increased to 12 inches.

The deviation of precipitation over a 12 month period is the rainfall figure most relevant to the problem of hydro-electric capacity, for power reservoirs are operated on the basis of 12 month cycles. Heavy rains usually fall in this region from December to April, and during these months the reservoirs normally fill up. Moderate to heavy rains ordinarily fall during the summer, providing sufficient stream flow to operate the hydro-electric plants while maintaining the water level of the reservoirs at capacity. From September through November, however, light rains can usually be expected, and, consequently, the hydro plants draw upon reservoir storage to maintain production during this period. Hydro-electric reservoirs thus operate under a "rule curve" determined each year on the basis of normal rainfall and expected power loads, the curve calling, generally, for filling the reservoirs from December to April, maintaining their levels during the summer, and depleting them during the autumn. Important deviations of rainfall from normal are ordinarily met by increasing or decreasing somewhat the production of power by hydro plants and conversely decreasing or increasing the output of steam plants. It is the function of reservoirs to hold water from the rainy seasons to the dry seasons, and, therefore, it is the 12 month picture that is relevant.

The effect of abnormal rainfall upon the operations of hydro-electric plants is clearly discernible in chart 1, for in that chart the hydro-power curve, when corrected visually for its growth over the period, can be seen to follow the general movements of the precipitation curve. Furthermore, the effect of changes in hydro-electric output upon the production of the steam and internal combustion plants can be seen in chart 2, where the two series move inversely, fuel-generated power increasing when hydro-generated power declines, and vice-versa.

The situation at the moment is clear. For 17 months the precipitation curve has been below normal. Moreover, it cannot be expected shortly to return to normal. The month of June has brought several scattered showers and a few heavy rains in some localities, but the rain of a few weeks, and even of a few months, cannot easily overcome the effects of a long drought.

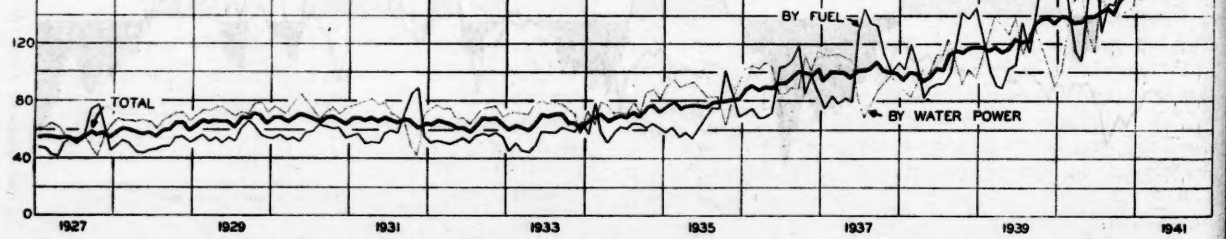
Had the power companies been able to operate in accordance with their "rule curves" they would long ago have curtailed the production of hydro-electric power, and the curve representing that quantity in chart 1 would have declined sharply as it did in previous droughts, notably that of 1931. Instead, however, the demands of the national defense program have forced the companies to increase the production of hydro-electric power by drawing down the levels of their storage reservoirs. This is the season when reservoirs should be full, but, to take an example, Lake Burton, the largest reservoir in the Georgia Power Company's system, had only 5.1 million kilowatt-hours in storage on June 18. This is but 5 per cent of what would ordinarily have been in storage on that date. Even if rainfall is normal from now on, the water reserve shortage will remain serious into 1942, for the rains that should have filled the reservoirs in December and early spring did not fall. Furthermore, after a prolonged drought such as this, the land is so dry that much of the rain that does fall is absorbed by the ground instead of running off into the streams. Hence in the next few months stream flows and reservoir levels will be increased less than usual by any given amount of rain.

▶ The growth of the electric power industry in the District over the past decade and, of more immediate concern, the increase in production necessitated by the defense program, can be observed in the figures of power production in the six states. The *Monthly Review* has for many years carried indexes of these data derived from the records of the Federal Power Commission. The series from 1927 to date is presented in the table on page 31 and in the chart on page 30, on the base 1935-1939=100. Statistics for individual states of the District have been dropped from the tabulation, and in their stead indexes for hydro-generated and fuel-generated power are separately shown. This is the form in which the indexes will henceforth be carried.

The growth of electric power production in the Sixth District was substantial in the 1920's, and suffered only a minor interruption in the depression. From 1933 to 1939 the District's power industry grew at an annual rate of 11 per cent, compared with a 7.4 per cent annual growth for its national counterpart. Since the drought this rate of expansion has increased further, for both the hydro and fuel plants. Within the limitations of existing generating and transmission facilities, there is apparently little possibility of a further expansion of fuel-generated power during the critical months ahead: expansion must come from new facilities.

This District produces a larger portion of its power in

INDEXES OF ELECTRIC POWER PRODUCTION - SIX STATES OF THE SIXTH DISTRICT - 1935-1939=100



hydro-electric plants than any area of the nation other than the Far West, and this important difference between the power industry of this area and that of the nation means that a drought in this area is a more difficult problem than a similar drought in most of the other regions of the country. In 1939, for instance, 55 per cent of the power produced in the six states that fall either wholly or partly in the Sixth District was hydro-generated. Almost all of this hydro-generated power was produced in the states of Alabama, Georgia, and Tennessee, whose total power production was 77 per cent hydro-generated. In contrast, only 34 per cent of the nation's total power was produced in hydro-electric plants. Alabama, the largest power producer in the District, generated in 1939 3.2 billion kilowatt-hours by water, more than any state other than California, New York, or Washington. Of Alabama's total production, 81 per cent was produced by water power, a larger proportion than that of all but 7 states of the nation.

▶ In normal times the District is self-sufficient in power, and, on the whole, a net exporter to a limited degree. The map on page 32 shows the net movements of power during 1939 among the states of the District, and to and from their neighbors outside the District. Alabama, the largest producer, is also the largest exporter, sending power to all bordering states. Mississippi, on the other hand, is both the smallest producer and the largest importer, receiving power from all surrounding states.

Being on the whole a self-sufficient power area, the District is naturally not equipped with transmission facilities beyond its borders sufficient to meet sudden, large import requirements, and the region is particularly deficient in transmission facilities that reach beyond the limits of the present drought area. There is, therefore, only a limited opportunity during the next few months to meet the existing shortage by tapping the power resources of other areas. Arrangements have been made, however, for some net imports of power. Even within the District, existing transmission facilities do not permit the most effective utilization of power available at the moment. Florida, whose production is almost entirely by fuel plants, and therefore independent of the drought, has surplus generating capacity available every summer, but, unfortunately, there is no means by which large amounts of this power could be made available this summer to the industrial areas of Alabama, Georgia, or Tennessee. Similarly, the inadequacy of transmission facilities makes impractical the suggestion that a battleship be brought South to pump its 60 thousand kilowatts into the area. None of the ports at which such a ship might anchor is prepared to transmit its energy to the defense industries of the interior.

▶ Consumption of electric energy in the six states, i.e., production plus or minus net imports or exports, was 25 per cent greater in the first four months of 1941 than in the corresponding period of 1940. Since 1935 consumption of electric power in this area has been growing at a rapid and continuing rate as the chart of electric power production amply indicates. In recent months, however, the enormous power requirements of defense industries in the District have been superimposed upon the long-term upward trend.

Power consumption is compared by states in the chart on page 32. Tennessee, with its many metallurgical and chemical plants, is much the largest consumer of electricity in the District, and, owing to the defense program's requirements of Tennessee's aluminum, copper, zinc, and chemicals, it is there that the power shortage is most severe.

Among the most important factors in the increase of consumption has been the rapid expansion of aluminum production in the Tennessee Valley to supply growing national defense demands. In this connection, the Commodity Research Bureau estimates that from 10 to 12 kilowatt-hours of power are used in producing one pound of aluminum, and the Aluminum Company of America is now producing 40 million pounds of aluminum per month for armaments. A substantial proportion of this aluminum is being manufactured in the Southeast. Thus the Alcoa plants near Knoxville require 250 thousand kilowatts, of which their own generators can supply only 70 thousand. This means that an additional 180 thousand kilowatts—as much as the present generating capacity of Norris and Guntersville Dams—must be provided for the defense needs of this one commodity.

INDEXES OF DAILY AVERAGE POWER PRODUCTION IN THE SIX STATES OF THE 6th FEDERAL RESERVE DISTRICT—1935-1939=100

Total

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Yr.
1927	55	55	55	54	54	54	52	55	58	57	58	55	55
1928	59	61	60	57	57	57	55	59	60	64	65	60	59
1929	63	66	64	66	65	65	63	68	69	71	69	65	66
1930	68	68	66	68	71	70	67	65	68	70	67	66	68
1931	68	68	67	68	66	69	66	65	67	66	63	64	66
1932	64	67	65	64	61	62	58	63	67	67	68	63	64
1933	60	63	61	60	64	72	70	71	71	68	67	61	66
1934	66	69	70	66	67	69	68	72	68	76	77	73	70
1935	76	80	75	76	76	76	76	79	79	80	81	82	78
1936	89	91	88	90	90	93	93	96	102	99	99	102	94
1937	95	100	98	98	96	100	100	102	106	100	98	99	99
1938	94	98	98	93	95	102	102	112	114	113	116	117	105
1939	117	114	117	113	116	123	121	122	133	137	138	133	124
1940	139	139	135	135	139	140	142	145	141	151	155	154	143
1941	163	171	169	174	...	...	...	...	...	...	...	...	...

By Water Power

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Yr.
1927	60	62	64	62	56	54	50	54	47	42	55	63	56
1928	67	66	67	66	66	65	61	66	68	71	72	66	67
1929	70	73	73	75	76	72	70	72	70	77	78	73	73
1930	78	77	75	78	85	80	73	66	73	76	71	74	76
1931	76	77	78	80	77	77	71	69	67	50	42	70	70
1932	74	77	75	74	68	68	64	69	74	75	76	69	72
1933	71	73	72	71	77	81	78	79	77	74	72	57	74
1934	73	64	79	77	74	74	74	78	72	86	87	82	77
1935	90	93	89	91	93	88	82	82	83	63	81	91	86
1936	102	104	103	106	104	84	84	89	88	111	99	114	99
1937	111	112	113	110	108	80	67	77	86	91	97	93	95
1938	87	82	91	102	100	111	111	123	104	92	100	96	100
1939	109	125	137	132	126	138	111	127	131	114	104	89	120
1940	103	133	150	156	129	113	156	143	139	140	143	146	138
1941	173	151	164	163	...	...	...	...	...	...	...	...	...

By Fuel

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Yr.
1927	47	47	43	43	51	54	54	56	73	77	62	46	54
1928	50	53	50	46	44	46	47	49	49	54	55	52	50
1929	54	56	53	54	51	54	53	62	66	63	58	55	57
1930	55	57	53	55	53	57	59	63	63	62	62	54	58
1931	56	57	51	53	51	57	60	59	68	86	89	57	62
1932	51	53	51	50	52	55	50	56	58	56	58	55	54
1933	46	51	46	46	48	59	59	59	62	60	60	66	55
1934	57	77	59	52	57	62	61	64	64	62	63	61	62
1935	58	62	56	58	55	61	67	75	74	101	82	69	68
1936	71	74	69	69	70	103	104	107	120	84	98	86	88
1937	74	83	78	81	79	127	144	134	133	112	98	106	104
1938	102	119	106	81	89	92	92	99	127	141	137	145	111
1939	127	100	90	88	102	104	134	116	137	167	183	192	128
1940	187	147	114	107	153	175	124	148	144	166	172	165	150
1941	150	196	177	188	...	...	...	...	...	...	...	...	...

CONDITION OF FEDERAL RESERVE BANK OF ATLANTA

(In Millions of Dollars)

	June 18 1941	May 14 1941	June 19 1940	Per Cent Change June 18, 1941 from May 14 1941	Per Cent Change June 18, 1941 from June 19 1940
Bills discounted	$ .01	$ .01	$ .2	...	— 95
Industrial advances	.2	.2	.2	...	...
U. S. securities	94.9	94.9	104.4	...	— 9
Total bills and securities	95.1	95.1	104.8	...	— 9
F. R. note circulation	216.3	209.9	164.7	+ 3	+ 31
Member banks reserve deposits	268.0	281.4	238.6	— 5	+ 12
U. S. Gov't general deposits	34.2	22.2	11.3	+ 54	+203
Foreign bank deposits	42.3	28.4	23.1	+ 49	+ 81
Other deposits	7.6	6.4	5.4	+ 19	+ 41
Total deposits	352.0	338.4	278.4	+ 4	+ 26
Total reserves	481.4	458.9	345.5	+ 5	+ 39
Industrial advance commitments	.03	...	.5	+	— 94

CONDITION OF 22 MEMBER BANKS IN SELECTED CITIES

(In Millions of Dollars)

	June 18 1941	May 14 1941	June 19 1940	Per Cent Change June 18, 1941 from May 14 1941	Per Cent Change June 18, 1941 from June 19 1940
Loans and Investments—Total	$722.0	$710.4	$616.3	+ 2	+ 17
Loans—Total	376.7	373.3	306.8	+ 1	+ 23
Commercial, industrial, and agricultural loans	193.5	192.1	152.4	+ 1	+ 27
Open market paper	5.4	4.8	3.7	+ 13	+ 46
Loans to brokers and dealers in securities	6.3	6.1	4.6	+ 3	+ 37
Other loans for purchasing and carrying securities	11.1	11.0	10.8	+ 1	+ 3
Real estate loans	36.4	35.7	32.2	+ 2	+ 13
Loans to banks	1.5	1.4	.9	+ 7	+ 67
Other loans	122.6	122.3	102.4	+ 0	+ 20
Investments—Total	345.3	337.0	309.5	+ 2	+ 12
U. S. direct obligations	163.8	159.1	140.9	+ 3	+ 16
Obligations guaranteed by U. S.	65.2	61.7	62.4	+ 6	+ 4
Other securities	116.3	116.2	106.2	+ 0	+ 10
Reserve with F. R. Bank	171.1	176.7	135.8	— 3	+ 26
Cash in vault	15.9	16.1	25.0	— 1	— 36
Balances with domestic banks	259.1	261.5	244.1	— 1	+ 6
Demand deposits-adjusted	502.8	501.6	429.7	+ 0	+ 17
Time deposits	191.3	193.0	191.7	— 1	— 0
U. S. Government deposits	47.2	36.0	44.3	+ 31	+ 7
Deposits of domestic banks	363.1	370.9	298.0	— 2	+ 22
Borrowings	....	....	....	...	...

DEBITS TO INDIVIDUAL ACCOUNTS

(In Thousands of Dollars)

	May 1941	April 1941	May 1940	Per Cent Change May 1941 from April 1941	Per Cent Change May 1941 from May 1940
ALABAMA					
Birmingham	$ 124,455	$ 117,463	$ 97,937	+ 6	+ 27
Dothan	4,357	3,954	3,039	+ 10	+ 43
Mobile	50,377	53,206	44,300	+ 13	+ 36
Montgomery	31,038	29,139	25,137	+ 7	+ 23
FLORIDA					
Jacksonville	114,215	108,474	86,535	+ 5	+ 32
Miami	67,382	72,474	57,318	— 7	+ 18
Pensacola	12,861	11,812	10,291	+ 9	+ 25
Tampa	40,269	44,158	33,513	— 9	+ 20
GEORGIA					
Albany	6,753	6,389	5,471	+ 6	+ 23
Atlanta	298,405	269,745	238,820	+ 11	+ 25
Augusta	27,988	25,777	19,557	+ 8	+ 43
Brunswick	4,080	3,366	3,235	+ 21	+ 26
Columbus	25,916	24,537	19,401	+ 6	+ 34
Elberton	1,622	1,491	1,295	+ 9	+ 25
Macon	25,556	23,943	16,933	+ 7	+ 51
Newnan	2,731	2,513	1,887	+ 9	+ 45
Savannah	42,025	35,341	31,357	+ 19	+ 34
Valdosta	4,608	4,271	4,739	+ 8	— 3
LOUISIANA					
New Orleans	282,107	262,930	241,825	+ 7	+ 17
MISSISSIPPI					
Hattiesburg	9,972	9,864	5,148	+ 1	+ 94
Jackson	34,114	33,479	30,321	+ 2	+ 13
Meridian	16,573	15,683	12,969	+ 6	+ 28
Vicksburg	7,833	7,872	8,080	— 1	— 3
TENNESSEE					
Chattanooga	57,252	50,333	44,074	+ 14	+ 30
Knoxville	38,776	34,975	28,598	+ 11	+ 36
Nashville	114,114	107,078	86,287	+ 6	+ 32
SIXTH DISTRICT					
26 Cities	1,455,379	1,360,267	1,158,067	+ 7	+ 26
UNITED STATES					
274 Cities	43,665,000	42,237,000	37,257,000	+ 3	+ 17

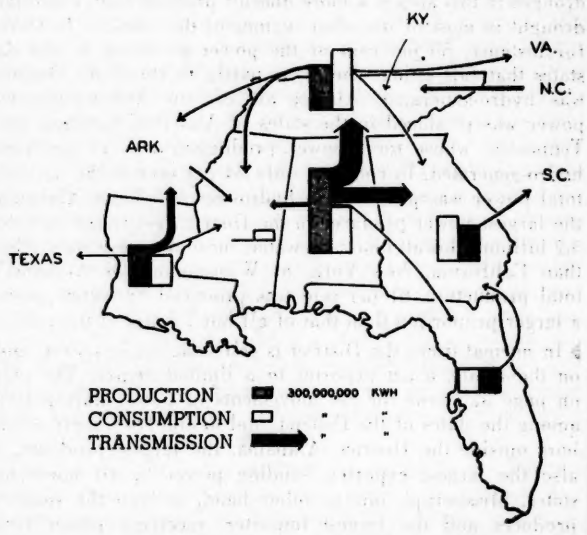
RETAIL TRADE — MAY 1941

(Cities for which no indexes are compiled)

Sales for May compared with:

	Apr. 1941	May 1940		Apr. 1941	May 1940
Baton Rouge	+ 8	+ 12	Knoxville	+ 13	+ 20
Chattanooga	+ 12	+ 22	Macon	— 4	+ 21
Jackson	+ 1	+ 21	Montgomery	— 22	+ 14
Jacksonville	+ 13	+ 36	Tampa	— 5	+ 34

PRODUCTION, TRANSMISSION, AND CONSUMPTION OF ELECTRIC POWER - BY STATES - 1939



▶ The power shortage will be relieved somewhat by the completion of new generating capacity now under construction. Within the next several months 340 thousand kilowatts of additional steam-generating capacity will be completed in this area. Whether or not, in view of the prospective water situation, this new capacity will be sufficient to supply all users in the near future is a debatable question. At the moment, however, the power shortage cannot be adequately met without a considerable reduction of consumption.

▶ For that reason, the first step in the rationing of power in the Southeast was taken on May 25. On that date the Federal Power Commission, defense officials, and the principal southern power producers issued a joint appeal for the conservation of power. The second and more important step was taken June 16, on which date the Commonwealth and Southern Companies—Georgia Power, Alabama Power, Gulf Power, Mississippi Power, and South Carolina Power—instituted a formal rationing program designed to effect a 20 per cent reduction in work-day consumption.

What uses of electric power can best be reduced? A breakdown of the figures of power consumption in the entire District is not available, but an estimate for the market of the Georgia Power Company made by that Company may be cited as an example. The Georgia Power Company estimated that on May 20, 1941, as much as a fifth of its total deliveries were probably used in the production of national defense items. Power used for such purposes cannot, of course, be curtailed. An additional amount, perhaps as much as 5 per cent of total deliveries, was used by non-defense industries engaged in processes where curtailment is impossible because of technical considerations. Residential users, whose consumption might be reduced, consume only 10 to 15 per cent of the Company's total deliveries, and do not, therefore, provide much scope for large savings. Only non-defense industrial power (roughly 40 per cent of total deliveries) and commercial light and power (roughly 10 per

cent of total deliveries) seem to provide an opportunity for substantial power savings.

Results of the Georgia Power Company's curtailment program during its first week, June 16-22, were encouraging. From Monday through Friday of that week consumption was reduced 20 per cent as compared with the pre-curtailment week, May 19-25. Good results were also obtained on the other aspect of the program, namely, increasing industrial power consumption on Sundays. The total use of electric power increased 64 per cent on the first Sunday of the curtailment program as compared with the Sunday of the base week, May 19-25. This increase in the industrial use of power on Sundays makes possible a better utilization of available fuel-generating capacity, much of which is normally idle over the week-end. E. H.—B. B.

District Summary of Business Conditions

(*Continued from Page 29*)

contracts awarded in this District in May, following a sharp increase in April. The District total for May was 53 per cent larger than it was for May last year and while residential awards were up slightly, "All Other" contracts, which include those for non-residential building, public works and public utilities, were more than double the total for May 1940. In the five months of 1941, January through May, total awards have been 33 per cent larger than in that period last year, residential contracts have increased 4 per cent, and "All Other" awards 55 per cent. In the 37 Eastern states for which F. W. Dodge figures are available, May contracts increased 35 per cent over April and were 67 per cent greater than in May 1940. As in this District, the larger increases were in contracts for non-residential building and public utilities.

Textile activity in this District reached another new high level in May. Average daily consumption of cotton by mills in Alabama, Georgia, and Tennessee for each of the 27 business days in May was 12 thousand bales, the largest total for any month in available statistics, and 52 per cent greater than in May last year. The ten month total for the current season is 21 per cent larger than for the corresponding part of the previous season. In the United States as a whole, cotton consumption increased 3 per cent in May, and was 50 per cent greater than a year ago.

Pig iron production in Alabama increased 8 per cent in May, on a daily average basis, following a decline of 10 per cent in April that was due principally to an accident that caused the temporary shutdown of three blast furnaces. The May rate of output was 9 per cent larger than in May last year, but was somewhat below the rates that prevailed from October through March. In the United States as a whole the May average was 3 per cent larger than that for April and up 31 per cent compared with May 1940. Steel mill activity in the Birmingham-Gadsden area averaged 97.4 per cent of capacity in May against 95 per cent in April and 81.5 per cent in May last year, according to *The Iron Age*. In the four weeks ending June 7 the reported rate was 99 per cent. Coal production in Alabama and Tennessee increased substantially in May after being sharply reduced in April when mining operations were curtailed. Work at the mines was resumed early in May, and in the latter half of the month output was considerably larger than in the corresponding period a year ago. The month's total, however, was about 12 per cent less than that for May 1940.

SIXTH DISTRICT BUSINESS INDICATORS

Indexes

(1923-1925 Average = 100, except as noted)

	Adjusted			Unadjusted		
	May 1941	Apr. 1941	May 1940	May 1941	Apr. 1941	May 1940
RETAIL SALES* (1935-1939 Av. = 100)						
DISTRICT (47 Firms)	138	141	115	136	137	114
Atlanta				142	155	115
Birmingham				140	125	112
Nashville				137	123	118
New Orleans				121	129	107
RETAIL STOCKS						
DISTRICT (21 Firms)	84	83	76	86	87	77
Atlanta	161	159	137	163	167	139
Birmingham	78	76	73	80	80	74
Nashville	64	64	57	64	66	58
New Orleans	74	69	65	75	72	66
WHOLESALE SALES						
TOTAL				80	76	66
Groceries				68	65	55
Dry Goods				59	58	51
Hardware				158	150	103
Drugs				112	114	109
CONTRACTS AWARDED						
DISTRICT				137	126r	89
Residential				114	99r	111
Others				152	144r	75
Alabama				477	116	92
Florida				67	60	75
Georgia				68	214	138
Louisiana				115	140	40
Mississippi				144	279	171
Tennessee				129	228	83
BUILDING PERMITS						
20 Cities				92	61	135
Atlanta				26	37	240
Birmingham				38	44	160
Jacksonville				175	123	76
Nashville				25	33	46
New Orleans				76	52	33
PIG IRON PRODUCTION*						
Alabama				131	122	120
COAL PRODUCTION (1935-1939 Av. = 100)						
TWO STATES	132	21	150	114	21	131
Alabama				109	19	135
Tennessee				126	25	120
COTTON CONSUMPTION*						
THREE STATES				252	246	166
Alabama				312	295	181
Georgia				225	227	160
Tennessee				259	230	162
EMPLOYMENT (1932 Av. = 100)						
SIX STATES				147	146	128
Alabama				163	156	134
Florida				105	120	94
Georgia				164	163	142
Louisiana				133	134	122
Mississippi				116	117	103
Tennessee				144	141	131
PAYROLLS (1932 Av. = 100)						
SIX STATES				227	223	176
Alabama				330	316	223
Florida				108	118	90
Georgia				260	257	196
Louisiana				174	167	150
Mississippi				171	160	135
Tennessee				229	222	168

	Apr. 1941	Mar. 1941	Apr. 1940
ELECTRIC POWER PRODUCTION* (1935-1939 Av. = 100)			
TOTAL	174	169r	135r
By Water Power	163	164r	156r
By Fuel	188	177r	107r

Statistics (000 Omitted)	May 1941	Apr. 1941	May 1940	Year to Date 1941	Year to Date 1940
COMMERCIAL FAILURES					
Number (Actual, not thousands)	46	41	55	215	302
Liabilities	$ 361	$ 958	$ 462	$ 2,392	$ 3,077

	Apr. 1941	Mar. 1941	Apr. 1940	Year to Date 1941	Year to Date 1940
FARM INCOME**					
SIX STATES	59,427	65,831	52,327	244,215	214,741
Alabama	8,252	7,491	6,944	27,063	29,656
Florida	18,969	17,983	13,398	63,262	41,710
Georgia	7,607	11,048	7,489	36,788	30,625
Louisiana	8,310	8,325	8,926	32,369	30,531
Mississippi	7,963	11,226	5,889	38,017	40,157
Tennessee	8,326	9,758	9,681	46,716	42,062

*Indexes of retail sales, electric power and pig iron production, and of cotton consumption are one a daily average basis.

r = Revised.

**Includes Government benefit payments.

National Summary of Business

Prepared by the Board of Governors of the Federal Reserve System

After a slight decline in April, industrial activity increased sharply in May and the first half of June. Wholesale commodity prices showed a further considerable advance and retail prices also increased. Distribution of commodities to consumers was maintained in large volume.

Production

Volume of industrial output increased sharply in May, following a decline in April, and the Board's seasonally adjusted index rose to 149 per cent of the 1935-1939 average, as compared with 140 in April and 143 in March. The decline in April had reflected mainly reduced output of bituminous coal and automobiles occasioned by shutdowns accompanying industrial disputes. These were settled during that month, and in May and the first half of June output in these industries rose to the high levels prevailing earlier.

In a number of other lines activity increased steadily throughout the spring months, particularly in the machinery, aircraft, and shipbuilding industries. Steel production was maintained at 99 per cent of capacity, except for a short period during late April and early May when output was reduced somewhat owing to a shortage of coal. Output of nonferrous metals also continued near capacity; deliveries of foreign copper in May increased to 49,000 tons, amounting to about one-third of total deliveries to domestic consumers. Toward the end of the month, as it became apparent that combined military and civilian need for these metals would soon greatly exceed available supplies, a General Preference Order covering all iron and steel products was issued by the Priorities Division of the Office of Production Management and in June mandatory priority controls were established for copper and zinc.

Textile production rose further in May, reflecting increased activity at cotton, wool, and rayon mills. A continued rise in output of manufactured food products was likewise reported and activity in the chemical and shoe industries was maintained at earlier high levels, although usually there is a considerable decline at this season. Petroleum production increased, and output of anthracite also advanced following some curtailment in April. Iron ore shipments amounted to 11,000,000 tons in May, a new record level and near the shipping capacity of the present lake fleet.

Value of construction contract awards rose sharply in May, reflecting increases in both public and private construction, according to F. W. Dodge reports. Awards for private residential and nonresidential building increased more than seasonally, and contracts for defense projects continued in large volume.

Distribution

Distribution of commodities to consumers was sustained at a high level in May. Department store sales showed a further rise, while sales at variety stores declined by slightly more than the usual seasonal amount. Retail sales of new automobiles continued at the high April level and sales of used cars rose further.

Freight-car loadings increased sharply in May, reflecting a marked rise in coal shipments and a further expansion in loadings of miscellaneous freight. In the first half of June total loadings were maintained at the advanced level of other recent weeks.

Commodity Prices

Wholesale prices of a number of agricultural and industrial commodities showed further increases from the middle of May to the middle of June, and the general index of the Bureau of Labor Statistics advanced two points to 87 per cent of the 1926 average. Federal action to limit price increases was extended to some consumer goods, principally new automobiles, hides, and certain cotton yarns. In retail markets prices of most groups of commodities have advanced, reflecting in part increases in wholesale prices earlier this year.

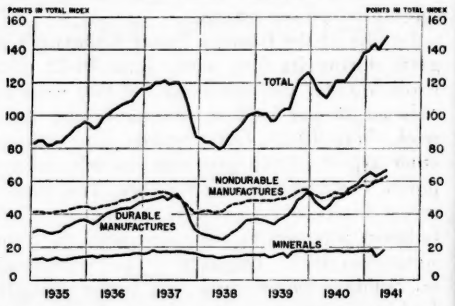
Bank Credit

Commercial loans at reporting banks in 101 cities continued to rise during the four weeks ending June 11. Bank holdings of United States government securities increased further, chiefly through the purchase of bills by New York City banks and of bonds by banks in other leading cities. As a result of the expansion in loans and investments bank deposits continued to increase.

United States Government Security Prices

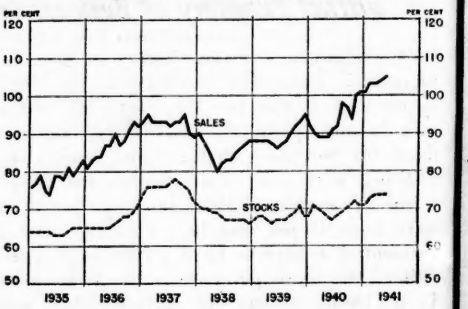
Following a rise in the latter part of May Treasury bond prices declined slightly in the first half of June. On June 14 the 1960-65 bonds were ⅞ of a point below the all-time peak in prices of December 10. Yields on both taxable and tax-exempt 3- to 5-year notes declined slightly from the middle of May to the middle of June.

INDUSTRIAL PRODUCTION



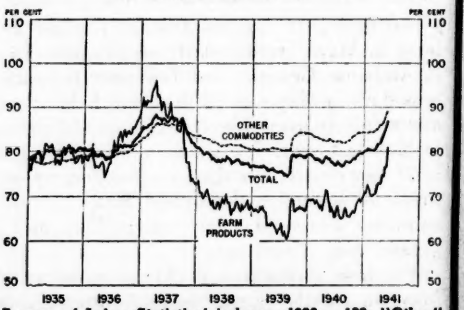
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to May 1941.

DEPARTMENT STORE SALES AND STOCKS



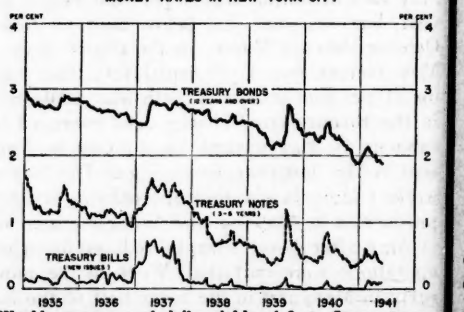
Federal Reserve indexes of value of sales and stocks, adjusted for seasonal variation, 1923-1925 average = 100. By months, January 1935 to May 1941.

WHOLESALE PRICES



Bureau of Labor Statistics' indexes, 1926 = 100. "Other" includes commodities other than farm products and food. By weeks, January 5, 1935, to June 14, 1941.

MONEY RATES IN NEW YORK CITY



Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds, and average discount on new issues of Treasury bills offered within the week. For weeks ending January 5, 1935, to June 14, 1941.